# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:2992
ANSWERED ON:07.12.2001
MONETARY POLICY OF RBI Q U E S T I O N
DALPAT SINGH PARASTE

**Will the Minister of FINANCE be pleased to state:**

(a) whether the Reserve Bank of India has recently announced its `softest ever` monetary policy; and

(b) if so, details regarding the highlights/changes in the monetary policy?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE ( SHRI BALASAHEB VIKHE PATIL)

(a) and (b): In view of the satisfactory fundamentals of the economy as reflected in moderate inflation rate, high foreign exchange reserves, large foodgrain stocks and goal prospects of agricultural growth, the stance of monetary policy, as stated in the Mid-Term Review of Monetary and Credit Policy for the year 2001-02 released on October 22, 2001, continues to be (I) Provision of adequate liquidity to meet credit growth and support revival of investment demand while continuing a vigil on movements in the price level; and (ii) Within the overall frame work of imparting greater flexibility to the interest rate regime in the medium-term, to continue the present stable interest rate environment with a preference for softening to the extent the evolving situation warrants. The highlights/changes in the Mid-Term Review are:

Reduction in the Bank Rate by 0.50 percentage point from 7.0 per cent to6.5 per cent, the lowest Bank Rate since May 1973. Reduction in Cash Reserve Ratio (CRR) by 200 basis points from 7.5 per centto 5.5 per cent. The combined impact of reduction in CRR along with withdrawal of all exemptions

(except inter-bank liabilities) will augment lendable resources of the banking system by about Rs.8,000 crore. Interest on eligible cash balances maintained with the RBI will be at the Bank Rate (i.e. 6.5 per cent) with effect from fortnight beginning November 3, 2001.